

Question 33. *How should the CA reflect off-balance-sheet exposures?*

Question 34. *Under what circumstances should U.S. GAAP be used or adjusted to determine the exposure amount of insurance liabilities under the CA?*

Factors. The CA would involve a set of Board-determined factors to be applied to the exposure amounts of assets, insurance liabilities, and off-balance-sheet items in each risk segment. The factor for each risk segment would reflect the riskiness of the segment and the capital required to support that risk. Because of the different liability structures between insurance companies and banks, some of the applicable insurance risk factors may differ from the analogous risk factors that apply to banks.

Question 35. *What considerations should the Board apply in determining the various factors to be applied to the amounts in the risk segments in the CA?*

Question 36. *What challenges are there in determining risk factors for global risks?*

Minimum ratio. The CA would require the establishment of a minimum ratio of consolidated qualifying capital to consolidated factor-weighted exposures in the CA. In addition, one or more definitions of capital adequacy (e.g., “well capitalized” or “adequately capitalized”) would be needed for early remediation and other supervisory purposes.

Question 37. *What criteria should the Board consider in developing the minimum capital ratio under the CA and definitions of a “well-capitalized” or “adequately capitalized” insurance institution?*

C. Other Assessed Frameworks

In developing the two general approaches discussed here, the Board considered a number of other potential regulatory capital frameworks that did not appear to meet the Board’s supervisory objectives for supervised institutions significantly engaged in insurance activities. For example, consideration was given to applying a risk-based capital rule that is based solely on the Board’s existing capital requirements for banking organizations (Regulation Q) to supervised institutions significantly engaged in insurance activities. Such an approach would not recognize the unique risks, regulation, and balance sheet composition of insurance firms. Although bank-like capital requirements may be appropriate for exposures that a supervised institution significantly engaged in insurance activities holds in a non-insurance subsidiary, an approach based solely on the Board’s Regulation Q would not capture significant insurance risks. The Board is not aware of any

major country that imposes bank capital requirements on insurance firms.

The Board also reviewed an approach that entirely excluded insurance subsidiaries and applied capital requirements only to the non-insurance parts of the supervised firm. This approach would, by definition, not capture all the material risks of the organization. While section 171 of the Dodd-Frank Act, as amended, permits the Board to exclude state and foreign regulated insurance entities in establishing minimum consolidated leverage and risk-based capital requirements, the parent holding company should be a source of capital strength to the entire entity, including to the subsidiary insurance companies and IDIs. To do this effectively, a consolidated capital requirement must take into account the risks within the consolidated organization, including insurance risks.

A capital approach based on the European Solvency II framework was considered, but would not appear to be appropriate for systemically important insurance companies and insurance depository institution holding companies in the United States.²⁰ Use of a Solvency II-based capital framework would not adequately account for U.S. GAAP and may introduce excessive volatility due to discount rate assumptions. Moreover, use of a Solvency II-based approach would involve excessive reliance on internal models. Internal models make cross-firm comparisons difficult and can lack transparency to supervisors and market participants. Additionally, such an approach would not be executable in the short-to-medium term; the notable challenges of the Solvency II regime have resulted in significantly extended implementation periods in various European jurisdictions.

The Board also analyzed a potential regulatory capital framework for supervised institutions significantly engaged in insurance activities that is based on internal stress testing. This approach would rely on internal models, be highly novel and complex, would entail a large and lengthy construction project, and would require a substantial dedication of supervisory resources to superintend. The Board intends to continue exploration of internal stress testing as it builds its supervisory stress testing program for systemically important insurance companies and its broader supervision program for supervised institutions

significantly engaged in insurance activities.

Question 38. *Should the Board reevaluate any of these approaches? What additional consideration, if any, should the Board give to any of the regulatory capital approaches discussed above?*

III. Conclusion

The Board is seeking information on all aspects of its approaches to insurance regulatory capital and invites comment on the appropriate consolidated capital requirements for systemically important insurance companies and insurance depository institution holding companies. In addition, the Board invites comment on all of the questions set forth in this ANPR, as well as other issues that commenters may wish to raise.

In connection with this ANPR, the Board will review all comments submitted and supplementary information provided, as well as information regarding insurance regulatory capital derived from the Board’s regulatory and supervisory activities. Once the Board has completed its review, the Board anticipates that it will issue a notice of proposed rulemaking to establish a regulatory capital framework for supervised institutions significantly engaged in insurance activities.

By order of the Board of Governors of the Federal Reserve System, June 9, 2016.

Robert deV. Frierson,
Secretary of the Board.

[FR Doc. 2016–14004 Filed 6–13–16; 8:45 am]

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1 and 301

[REG–127923–15]

RIN 1545–BM97

Consistent Basis Reporting Between Estate and Person Acquiring Property From Decedent; Hearing

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of public hearing on proposed rulemaking.

SUMMARY: This document provides notice of public hearing on the proposed regulations that provide guidance regarding the requirement that a recipient’s basis in certain property acquired from a decedent be consistent with the value of the property as finally

²⁰ See Council Directive 2009/138, On the Taking-Up and Pursuit of the Business of Insurance and Reinsurance (Solvency II), 2009 O.J. (L 335) 1 (EC).

determined for Federal estate tax purposes.

DATES: The public hearing is being held on Monday, June 27, 2016 at 10:00 a.m. The IRS must receive outlines of the topics to be discussed at the public hearing by Monday, June 20, 2016.

ADDRESSES: The public hearing is being held in the IRS Auditorium, Internal Revenue Service Building, 1111 Constitution Avenue NW., Washington, DC 20224. Due to building security procedures, visitors must enter at the Constitution Avenue entrance. In addition, all visitors must present photo identification to enter the building.

Send Submissions to CC:PA:LPD:PR (REG-127923-15), Room 5205, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Submissions may be hand-delivered Monday through Friday to CC:PA:LPD:PR (REG-127923-15), Couriers Desk, Internal Revenue Service, 1111 Constitution Avenue NW., Washington, DC 20224 or sent electronically via the Federal eRulemaking Portal at www.regulations.gov (IRS-2016-0010).

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Theresa M. Melchiorre at (202) 317-6859; concerning submissions of comments, the hearing and/or to be placed on the building access list to attend the hearing Regina Johnson at (202) 317-6901 (not toll-free numbers).

SUPPLEMENTARY INFORMATION: The subject of the public hearing is the notice of proposed rulemaking (REG-127923-15) that was published in the **Federal Register** on Friday, March 4, 2016 (81 FR 11486).

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who wish to present oral comments at the hearing that submitted written comments by June 20, 2016 must submit an outline of the topics to be addressed and the amount of time to be devoted to each topic by Monday, June 20, 2016.

A period of 10 minutes is allotted to each person for presenting oral comments. After the deadline for receiving outlines has passed, the IRS will prepare an agenda containing the schedule of speakers. Copies of the agenda will be made available, free of charge, at the hearing or in the Freedom of Information Reading Room (FOIA RR) (Room 1621) which is located at the 11th and Pennsylvania Avenue NW., entrance, 1111 Constitution Avenue NW., Washington, DC 20224.

Because of access restrictions, the IRS will not admit visitors beyond the immediate entrance area more than 30 minutes before the hearing starts. For

information about having your name placed on the building access list to attend the hearing, see the **FOR FURTHER INFORMATION CONTACT** section of this document.

Martin V. Franks,

*Chief, Publications and Regulations Branch,
Legal Processing Division, Associate Chief
Counsel (Procedure and Administration).*

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DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 165

[Docket Number USCG-2016-0224]

RIN 1625-AA00

Safety Zone; Fourth of July Fireworks Patriots Point, Charleston, SC

AGENCY: Coast Guard, DHS.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Coast Guard proposes to establish a temporary safety zone in the navigable waters of Charleston, SC. This safety zone is necessary to protect the public from hazards associated with launching fireworks over navigable waters of the United States. This proposed rulemaking would prohibit persons and vessels from being in the safety zone unless authorized by the Captain of the Port Charleston or a designated representative. We invite your comments on this proposed rulemaking.

DATES: Comments and related material must be received by the Coast Guard on or before June 29, 2016.

ADDRESSES: You may submit comments identified by docket number USCG-2016-0224 using the Federal eRulemaking Portal at <http://www.regulations.gov>. See the "Public Participation and Request for Comments" portion of the **SUPPLEMENTARY INFORMATION** section for further instructions on submitting comments.

FOR FURTHER INFORMATION CONTACT: If you have questions about this proposed rulemaking, call or email Lieutenant John Downing, Sector Charleston Office of Waterways Management, Coast Guard; telephone (843) 740-3184, email John.Z.Downing@uscg.mil.

SUPPLEMENTARY INFORMATION:

I. Table of Abbreviations

CFR Code of Federal Regulations

DHS Department of Homeland Security
FR Federal Register
NPRM Notice of proposed rulemaking
§ Section
U.S.C. United States Code

II. Background, Purpose, and Legal Basis

On March 10, 2016, The Patriots Point Maritime Museum notified the Coast Guard that it will be conducting a fireworks display from 9 p.m. to 9:30 p.m. on July 4, 2016. The fireworks are to be launched from a barge along the bank of the Cooper River at Patriots Point in Charleston, SC. Hazards from firework displays include accidental discharge of fireworks, dangerous projectiles, and falling hot embers or other debris. The Captain of the Port Charleston (COTP) has determined that potential hazards associated with the fireworks to be used in this display would be a safety concern for anyone within a 500-yard radius of the barge.

The purpose of this rulemaking is to ensure the safety of vessels and the navigable waters within a 500-yard radius of the fireworks barge before, during, and after the scheduled event. The Coast Guard proposes this rulemaking under authority in 33 U.S.C. 1231.

III. Discussion of Proposed Rule

The COTP proposes to establish a safety zone from 8:45 p.m. to 9:45 p.m. on July 4, 2016. The safety zone would cover all navigable waters within 500 yards of the barge located at Patriots Point on the Cooper River. The duration of the zone is intended to ensure the safety of vessels and these navigable waters before, during, and after the scheduled 9 p.m. to 9:30 p.m. fireworks display. No vessel or person would be permitted to enter the safety zone without obtaining permission from the COTP or a designated representative. The regulatory text we are proposing appears at the end of this document.

IV. Regulatory Analyses

We developed this proposed rule after considering numerous statutes and Executive orders related to rulemaking. Below we summarize our analyses based on a number of these statutes and Executive orders and we discuss First Amendment rights of protestors.

A. Regulatory Planning and Review

Executive Orders 12866 and 13563 direct agencies to assess the costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits. Executive Order 13563 emphasizes the